MAKING GOVERNMENT MORE EFFECTIVE

Overview

Florida's state government includes over 126,000 employees, with an Executive budget of $49.9 billion.

Three areas with major legislative packages in recent years include: **Reorganization**, **Privatization** and **Accountability**. The Florida Legislature has attempted *bureaucratic reorganization*, with the intent to either streamline the agency to help it focus its resources on core programs, or to consolidate related programs in a single agency to improve program effectiveness. Another attempt to maximize resource allocations has involved the Legislature *privatizing* areas where the private sector is expected to be more cost-effective or efficient in delivering services formerly provided by the state.

Accountability in government is an issue that is increasingly important in an environment of distrust of government. *Performance-Based Program Budgeting or "PB^2,"* has been developed by the Legislature as a method of program funding which encourages agencies to provide the maximum possible quality in the performance of their activities. This effort is designed to focus on performance or quality of government functions, holding the government accountable for its spending and delivering the services paid for. A major enhancement to this effort has been the addition of *unit cost reporting* in budget documents.

State policy makers constantly strive to improve the cost-effectiveness of public programs and services. Both internal and external fiscal pressures force adoption of less expensive alternatives for providing such programs and services. Such fiscal pressures and other factors influencing decisions may include budget cuts, revenue shortfalls, and legal restrictions on raising taxes, pitched against increasing and competing demands on finite resources.

State policy makers are constantly challenged to balance the needs and demands on available resources without significantly sacrificing the level of quality of programs and services. These policy makers use the methods of reorganization, privatization, accountability enhancement and budget reform as weapons in their arsenal to create a government that is more efficient and effective. Major legislation has been passed over the past six years establishing such methods with the goal of a streamlined, cost-effective, and accountable government that meets the needs of Florida's citizens.

CABINET AND AGENCY REORGANIZATION

Introduction

Revision 8 to the Florida Constitution – Cabinet Reorganization

In the November 1998 General Election, Florida voters approved Revision 8 to the Florida Constitution. Revision 8 merges the elected cabinet offices of Treasurer and Comptroller into one Chief Financial Officer (CFO). The Cabinet is reduced from seven to four members, consisting of the Governor, the CFO, the Attorney General, and the Commissioner of Agriculture. The Secretary of State and the Education Commissioner are eliminated from the elected Cabinet. The composition of the State Board of Education (SBE) is changed from the Governor and Cabinet, to a seven-member Florida Board of Education (FBE) appointed by the Governor and confirmed by the Senate, with the Board appointing the Commissioner of Education. Revision 8 does not address the regulatory functions assigned to the cabinet officers by statute.

Treasurer and Comptroller

In addition to the constitutional duty to "keep all state funds and securities," the Treasurer heads the Department of Insurance (DOI), invests the state's general revenue funds and trust funds, administers the Florida Security for Deposits Act and the State Employees Deferred Compensation Program, and serves as the State Fire Marshal. In addition to the constitutional duty to serve as the Chief Financial Officer of the state, the statutory duties of the Comptroller include examining, auditing and settling claims and demands against the state and serving as the head of the Department of Banking and Finance (DBF), which is responsible for regulating financial institutions and those conducting securities related business, providing for consumer financial protection, and administering the Unclaimed Property Act.

Secretary of State

The Secretary is part of the seven-member Cabinet, and heads the Department of State (DOS), which has seven divisions: Office of the Secretary/Division of Administration, Division of Elections, Division of Historical Resources, Division of Corporations, Division of Library and Information Services, Division of Licensing, and Division of Cultural Affairs.

State Board of Education

Currently, the Governor is the chair of the SBE and the Commissioner of Education is the secretary and executive officer. There is a Department of Education (DOE) headed by the elected Commissioner of Education. DOE has the following divisions: Community Colleges, Public Schools and Community Education, Universities, Workforce Development, Human Resource Development, Administration, Financial Services, Support Services, and Technology.

Department of Management Services

The Department of Management Services (DMS) serves as the administrative arm of state government. The mission of DMS is accomplished primarily through the Workforce, Technology, Support, and Facilities programs. Additionally, DMS houses other autonomous agencies, such as the Division of State Group Insurance, the Division of Retirement, the Correctional Privatization Commission, and the Division of Administrative Hearings (DOAH).

Department of Labor and Employment Security

Seven divisions are currently established within the Department of Labor and Employment Security (DLES): Jobs and Benefits, Unemployment Compensation, Administrative Services, Workers' Compensation, Vocational Rehabilitation, Safety, and Blind Services. Two commissions are established within the department: the Public Employees Relations Commission (PERC) and the Unemployment Appeals Commission.

Summary of Legislative Action Taken

Treasurer and Comptroller

In May 1999, an internal work group identified three organizational structures that could be considered for reorganizing the constitutional and statutory duties of the Comptroller and Treasurer: (1) *one department* (two into one), combining all the constitutional and statutory duties in a single agency headed by the CFO; (2) *two departments* (two into two), consolidating the constitutional and related functions in a department headed by the CFO, and combining the regulatory and related functions in a new department; and (3) *three departments* (two into three), consolidating the constitutional and related functions in one department headed by the CFO, keeping the regulatory and related functions in separate departments. During the 2000 Session, two major bills surfaced to implement the reorganization, generally proposing the *two departments* and the *one department* option. Neither bill passed, and consequently the Legislature must revisit the issue.

Commissioner of Education

In 1999, the Commissioner of Education appointed a 35-member Blue Ribbon Committee on Educational Governance, whose recommendations are generally encompassed in the "Florida Education Governance Reorganization Act of 2000." This act establishes legislative policy for a seamless kindergarten through graduate school education system with consistent education policy; alignment of academic and funding responsibility with accountability; effective articulation; and devolution of authority to the schools, community colleges, universities, and other education institutions that are the actual deliverers of educational services.

Effective January 7, 2003, a seven-member FBE will be appointed by the Governor; a Commissioner of Education will be appointed by the FBE; Chancellors of K-12 Education, State Universities, and Community Colleges and Career Preparation, and an Executive Director of Nonpublic and Nontraditional Education will be appointed by the Commissioner; and nine-member boards of trustees for each state university will be appointed by the Governor.

Secretary of State

In 1999, the Secretary created a Constitutional Transition Task Force, whose recommendations were largely implemented by the 2000 Legislature. The legislation maintains the basic structure of DOS, but transfers sweepstake regulation to the Department of Agriculture and Consumer Services; provides that financial disclosure filings should be filed directly with the Ethics Commission rather than the Division of Elections; and transfers responsibility for linkage institutes from DOE to DOS.

Department of Management Services

Over the years, DMS has had several transfers of divisions and offices into and out of its control. The Division of Retirement (Division) was established to administer the Florida Retirement System (FRS) and to consolidate existing state-administered retirement systems. In 1994 the Division became independent of the operational control of DMS. During the 1999 Legislative Session, however, legislation was passed which moved the Division back into DMS.

In the 2000 Legislative Session, legislation transferred the Minority Business Advocacy and Assistance Office from the Department of Labor and Employment Security to DMS, renamed as the Office of Supplier Diversity. In addition, the "itflorida.com Act of 2000" became law, transferring the powers and duties relating to information technology in the Executive Branch to the State Technology Office in DMS. The "Workforce Innovation Act of 2000," reorganized the state and regional workforce development and WAGES (Work and Gain Economic Self-Sufficiency) systems by creating the Agency for Workforce Innovation within, but not under the control of DMS, and created a private nonprofit entity, Workforce Florida, Inc., to develop policy for the agency and regional boards. Workforce development staff, programs and functions in the DLES (including the Division of Unemployment Compensation) were transferred to the Agency for Workforce Innovation. Workforce transition and support components of the WAGES program (child care, transportation, education and job training) were transferred from the Department of Children and Family Services to the Agency for Workforce Innovation.

Department of Labor and Employment Security

In 1999, the Legislature passed legislation that substantially reorganized DLES and continued the process of moving the WAGES program out of DLES, which was begun by the 1998 Legislature by transferring funding for the WAGES coalitions to DMS. In the 2000 Session, the "Workforce Innovation Act of 2000," as indicated previously, reorganized the state and regional workforce development and WAGES systems by creating the Agency for Workforce Innovation within, but not under the control, of DMS. Workforce development staff (including the Division of Unemployment Compensation), programs and functions in DLES were transferred to the Agency for Workforce Innovation.

Implementation

Commissioner of Education

By October 1, 2000, the Governor, President of the Senate and Speaker of the House of Representatives shall appoint a reorganization transition task force to accomplish an effective, orderly 3-year phase in. The timetable for recommendations is: March 1, 2001 (system merger/devolution); March 1, 2002 (systemwide coordination/boards of trustees); March 1, 2003 (statutes/rules revisions, waivers, contracts); and May 1, 2003 (final report).

Results and Impact

As with most attempts at bureaucratic reorganization, the intent is to either streamline the agency to help it focus its resources on core programs, or to consolidate related programs in a single agency to improve program effectiveness. The breakup of the old Health & Rehabilitative Services was an attempt to accomplish the former, as the current consolidation of the WAGES programs is an attempt to accomplish the latter.

PRIVATIZATION

Introduction

State policy makers constantly strive to improve the cost-effectiveness of public programs and services. Internal and external fiscal pressures force adoption of alternative, less expensive ways to provide such programs and services. Furthermore, state policy makers must meet this goal without significantly sacrificing the level of quality of such programs and services. When successful, privatization enables state government to meet growing demands for public programs and services despite limited resources.

Accordingly, private sector delivery of public services is expected to continue growing. Authors have used the terms "privatization," "alternative service delivery," and "entrepreneurial government" interchangeably. The literature has defined privatization in a variety of ways: transferring government functions or assets, or shifting of government management and service delivery, to the private sector; shifting from publicly- to privately-produced goods and services; engaging the private sector to provide services or facilities that are usually regarded as public-sector responsibilities; and attempting to alleviate the disincentives toward efficiency in public organizations by subjecting them to the incentives of the private market.

The literature has also defined privatization by revealing what it is *not*. If a private, not-for-profit entity relies solely or almost entirely on state dollars to provide a particular public program or service, privatization has not occurred. The public program or service is merely provided by a different entity other than state government. Similarly, if the state creates and funds only one private entity to provide the public program or service, then true competition is nonexistent and the "government monopoly" has simply become a "private monopoly."

Over the past 3 decades, proponents and critics of privatization have engaged in extensive debate. Those who favor privatization envision it as a means of trimming government expenditures—a concrete method of curtailing public sector growth.

Retirement-Defined Contribution Programs

Up to the 2000 Legislative Session, the State of Florida administered three defined contribution programs: the State University System Optional Retirement Program (about 10,000 participants); the Senior Management Service Optional Annuity Program (fewer than 100 participants); and the Community College Optional Retirement Program (about 920 participants).

Legislation was passed in the 2000 Legislative Session requiring the Trustees of the State Board of Administration to establish and administer an optional defined contribution retirement program within the existing Florida Retirement System. Participation in the defined contribution retirement program will be in lieu of participation in the defined benefit retirement program. This legislation privatizes some portion of the public retirement system by authorizing the State Board of Administration to contract with private sector investment managers to invest the public pension funds under the Public Employee Optional Retirement Program. In addition, a new third party administrator will administer the optional program, potentially reducing the responsibility of the Division of Retirement.

Corrections

The Florida Legislature authorized the construction and operation of private correctional institutions in 1989. The purposes of correctional privatization are to reduce the costs associated with the state's inmate population and to identify innovative and effective approaches to corrections. The inclusion of private prisons within Florida's correctional system provides a comparison for evaluations of the quality and cost of public corrections. Private vendors operate five of Florida's prisons. One female prison is contracted through the Department of Corrections, while four male prisons are contracted through the Correctional Privatization Commission.

Education

Over the past 10 years, the public school system has steadily increased its contracting out such areas as food and custodial services, transportation and security.

Recently, TaxWatch did a study of privatization in the public school system. They found that a number of school districts have contracted for custodial services. Services range from management only (district staff or an employee of the private provider), to the full provision of services districtwide. In some instances, the private provider employs all management, supervisory staff, and employees. However, the usual mode is for existing employees, at the time of conversion to a private contractor, to remain district employees. Through growth (new schools) and attrition, new employees are employed by the private provider.

In some districts, building maintenance and grounds maintenance are also contracted. Similar variations as to the scope of the private providers' responsibilities (management only to full-service) and employee considerations (employed by the district or the private provider) exist in these services as in custodial services. In Florida, three districts have contracted for food services; two of these began in 1997.

Juvenile Justice

In 1994, the Florida Legislature created the Department of Juvenile Justice, one of the most privatized agencies in the country. This did many things, one of which was placing a greater emphasis on prevention and diversion programs, 85 percent of which were privatized. This privatization occurred as a result of a convergence of events: changing of social trends combined with Florida's rapid population growth; the demand for de-institutionalization of our youth; and a lack of capacity to meet demands.

The state also recognized the intense labor needed to address the problems within juvenile justice. Some of the solutions were to turn to community-based, nonprofit organizations to identify problems, and work collectively with all government to address social issues. The state currently provides 2 percent of the services and programs, while 98 percent is provided by the private sector.

Department of Revenue

The Department of Revenue periodically contracts with private certified public accountants for auditing services, however, the Department sees the contracts as a leverage of resources, not as privatization. Another area privatized is the collection and disbursement of child support funds. The state was federally mandated to create the State Disbursement Unit, which is responsible for the collection and disbursement of child support.

The Department of Revenue contracts out for electronic funds transfer services, as well as for the Electronic Data Interchange, which retrieves data from private sources for tax purposes. The electronic services are relatively new and the use of contracting with private sources for these services is increasing. The Department of Revenue also contracts with private collection agencies for collection services periodically, when it would be more cost-efficient.

Health Care

In 1997, the Legislature authorized the Department of Children and Family Services to privatize the operation of the South Florida State Hospital, beginning with implementation by July 1, 1998. The contractor operates the hospital as a state-owned mental health institution that serves voluntary or involuntary committed indigent adults who meet Baker Act criteria or live in the service area.

An area where privatization has been federally mandated is at-home care for the elderly. The federal government has mandated that instead of the state paying home caregivers directly, funds be directed to local Agencies on Aging by contract. This federal mandate is part of the "Older Americans Act."

PERFORMANCE-BASED PROGRAM BUDGETING (PB^2)

Introduction

After taking a hard look at the budget process for state agencies, the Florida Legislature decided to change the way it funds government programs. By enacting the Government Performance and Accountability Act of 1994, the state began moving from a process that emphasized expenditures by organization (factoring in additional tasking and inflation) to a process that emphasizes results.

The new PB^2 system links funding to agency products or services, and ultimately to results. This system not only identifies measures of key agency outputs, but also specifies outcomes that describe the extent to which programs are accomplishing their goals. In addition to defining programs and performance measures, the Legislature sets performance targets that are referred to as "standards" in the annual budget. The Governor and agencies report annually on the performance of programs.

PB^2 allows agency managers greater flexibility in using their resources when necessary, and provides rewards for achievement, or sanctions in case of failure. Florida has introduced the system in phases, and currently most of the scheduled entities are funded under PB^2.

Performance-Based Program Budgeting Background

Performance-based budgeting is the latest in a series of national and state budget reform efforts. Since the 1940s and 1950s, federal and state governments have initiated major budget reforms to increase the information basis and rationality of the budget process to improve government performance. Florida's own reform efforts took shape in the late 1960s with a planning-programming-budgeting system, and were re-examined in the 1980s with the effort to integrate planning and budgeting, and have again returned to the forefront in the 1990s.

As early as the 1950s, academic articles from Florida institutions contrasted budgeting by objects of expenditure with budgeting by government functions and objectives. Such commentary noted that as the state's needs become more complex, legislators need a budget that provides greater information. The 1967 State Planning and Programming Act introduced to Florida government the concepts of long-range state planning and short-range action programs.

With the 1969 statutory reorganization of Florida government came the legal requirement that each department compile a comprehensive program budget reflecting all program and fiscal matters related to the department and each program, sub-program, and activity.

Although the resulting program structure described the services and programs of state government, the effort to link planning to budgeting was relatively unsuccessful for some of the same reasons that national efforts failed. Interviews with staff involved in this effort indicate that Department of Administration budget staff were reluctant to abandon the line-item system that facilitated expenditure control in favor of long-range planning that did not take fiscal constraints into account.

Ideas of planning and measuring achievement by objectives were not embraced by the Legislature, and so were not central to the budget decision-making process. In the 1980s, the Legislature passed major legislation establishing the framework for strategic planning in Florida state and local government based on a state comprehensive plan. As with past efforts, this initiative has achieved limited results.

While past reform efforts have had some effect on the government budgeting process, they were not sustained for several reasons. First, the information requirements of these systems were extensive but were not supported by adequate historical record-keeping, staff expertise, or computer support for the type of analysis required, and typically collapsed under paperwork.

Second, requiring all programs to justify their existence under a system like zero-based budgeting was a laborious exercise that did not produce substantial resource reallocation. Third, these systems did not acknowledge the political choices inherent in budgeting, so they tended to have little impact on (political) funding decisions. Finally, prior reform efforts have often not had the backing from both the executive and legislative branches needed for any system to succeed.

Summary of Legislative Action Taken

Based on experience from past efforts, the Florida Legislature decided to change the way government programs are funded. By enacting the Government Performance and Accountability Act of 1994, the state began moving from a process that emphasized expenditures by organization (factoring in additional tasking and inflation), to a process that emphasizes results.

The new performance-based program budgeting (PB^2) system links funding to agency products or services, and ultimately to results. This system not only identifies measures of key agency outputs, but also specifies outcomes that describe the extent to which programs are accomplishing their goals. In addition to defining programs and performance measures, the Legislature sets performance targets that are referred to as standards in the annual budget. The Governor and agencies report annually on the performance of programs.

A major adjustment in PB^2 is the passage of legislation in 1998 requiring agencies to include ***unit cost*** data in an annual submission to the Executive Office of the Governor. Whereas PB^2 has its primary impact on the improvement of quality, *unit cost measures* improve policy makers' ability to measure and compare program efficiency ("bang-for-the-buck").

The Key Players in the PB^2 Process

State agencies are responsible for administering programs funded under PB^2, but the Executive Office of the Governor and the Florida Legislature are two other key players, in addition to the Office of Program Policy Analysis and Government Accountability (OPPAGA).

The Office of Program Policy Analysis and Government Accountability

OPPAGA was created as a result of the same legislation that created PB^2, and is the primary oversight, review and accountability arm of the Legislature with regard to PB^2. As agencies implement PB^2, OPPAGA consults with them while they develop proposed PB^2 programs, providing feedback as agencies develop performance measures and standards. OPPAGA also advises the Governor's Office and Legislature about proposed PB^2 programs, measures, and standards, and conducts program evaluation and justification reviews, providing an accountability mechanism.

Implementation, Results and Impact

Currently, 33 state agencies are operating at least in part under a PB^2 budget. Each year agencies, the Legislature, the Executive Office of the Governor and OPPAGA work together to refine measures by adding, removing, or modifying them. In numerous cases, agencies have restructured their organizations along program lines to accommodate the PB2 accountability structure.

Three examples of agencies that have restructured along program lines are the Florida Department of Law Enforcement (FDLE), the Department of Management Services (DMS) and the Department of Revenue (DOR).

FDLE has restructured its organization into four primary program components. They are the Investigations and Forensic Sciences, Criminal Justice Information, Criminal Justice Professionalism, and Business Support Programs.

DMS is now also organized into four primary program components, including the Support, Facilities, Information Technology, and Work Force Programs.

DOR is organized into the Property Tax, Administrative Services, General Tax Administration, Operations and Account Management, Information Services, and Child Support Enforcement Programs.

At this time, PB^2 has not been fully implemented, and its impact on the efficiency and effectiveness of state government is difficult to determine. However, the legislative and executive branches have demonstrated a sustained commitment to PB^2 not evidenced under past reforms.